



CALIFORNIA Economic Indicators

November–December 2003

Employment Lags Other Economic Indicators

California's economy ends 2003 with mixed news.

■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Good signs for California's economic recovery abound, with the exception of substantial job growth. California's lackluster employment picture didn't improve much at the end of 2003. For both the state and the nation, the employment situation is at odds with other economic indicators. Homebuilding has reached a strong, sustainable pace and real estate markets are doing well.

Employment

Year end job losses

California ended 2003 with disappointing news on the employment front. The timing of the walk-out of 70,000 Southern California grocery workers in October artificially boosted that month's employment estimate which indicated a substantial 36,200 job gain. However, employment declined in the following months. California's nonfarm employment dropped 20,200 in November and another 8,400 in December, thus reversing most of October's rise.

Even though December's losses were concentrated in the retail trade sector, the grocery worker walkout was not the culprit. The principal cause was weaker than normal holiday hiring in December. This led to a seasonally adjusted loss of 13,300 jobs in the Trade, Transportation and Utilities sector. The below average holiday hiring should translate into below average layoffs in January 2004 and, after seasonal adjustment, a gain in retail sales jobs.

Outside of this sector, performance was mixed, but marginally positive. Four sectors lost jobs in December, five gained jobs and in one, Government, employment was unchanged. There was a net improvement of 4,700 jobs in these sectors. The information sector added 4,500 jobs for the second consecutive 4,000-plus month-over-month gain. Construction was the next strongest sector, adding 3,100 jobs—its fourth consecutive monthly gain. The Health and Education Sector added 3,100 jobs and Finance added 1,100. Professional and Business Services continued a pattern of alternating monthly gains and losses with a paltry 200-job gain in December, following a decline of 5,000 in November.

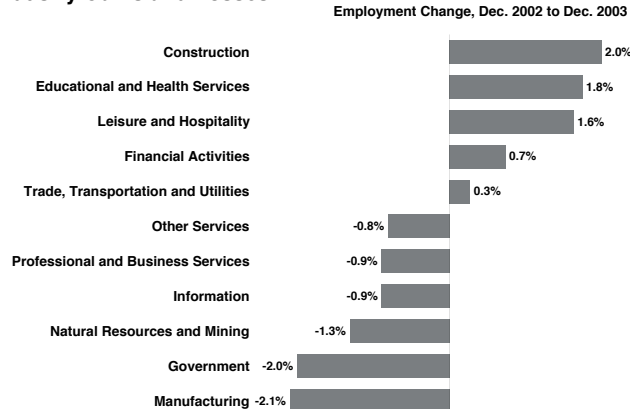
Industry losses outside of Trade, Transportation and Utilities were modest. Other Services employment fell by 2,700; Leisure, 2,300; Manufacturing, 900; and Resources and Mining, 600.

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FIGURE 1

Industry Gains and Losses



On a year-over-year basis, California nonfarm employment fell by 32,500, or 0.2 percent. Growth was led by Educational and Health Services, which added 26,700 jobs. Leisure and Hospitality gained 22,800; Construction 15,800; Trade, Transportation and Utilities, 7,500; Financial Activities, 6,400. Government was the largest source of job losses, dropping 49,700 over the year. Reduced public school employment accounted for the lion's share of these losses. Manufacturing employment dropped by 34,000; Professional and Business Services, 19,300; Information Services, 4,300; and Other Services, 4,100.

The private sector gains

Reduced public sector employment was the chief cause of the overall employment decline during 2003. While employment in the public sector—principally public schools—declined by 49,700, the private sector added 17,200 jobs. The nation as a whole added only 14,000 private sector jobs.

On a more optimistic note, California's unemployment rate dipped to 6.4 percent from November's 6.5 percent. This is a half percentage point lower than the 6.9 percent rate the state ended 2003 with. The improvement in December resulted from a household employment gain of 38,900 and a 30,300-drop in unemployment.

Building Activity

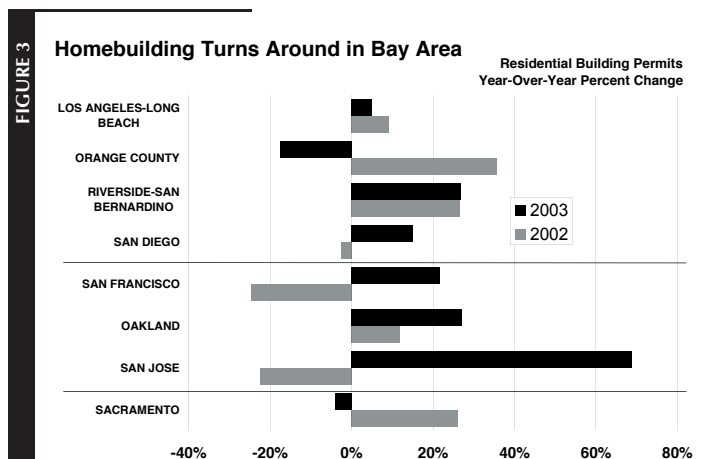
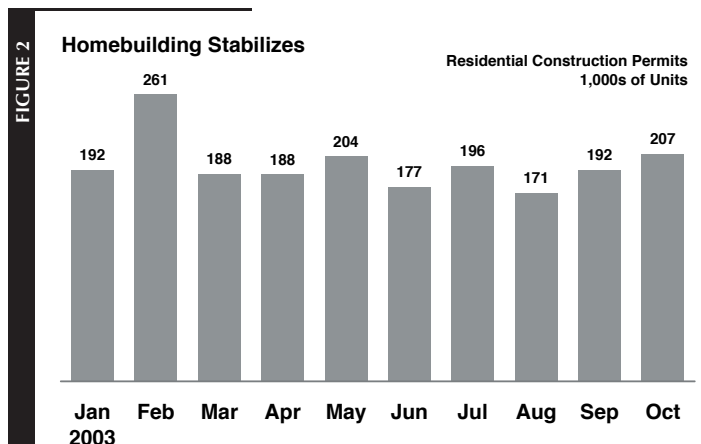
Home building is strong and steady

California residential construction began 2003 with an extraordinary burst of activity. Residential permit issuances during the first three months of the year were nearly 38 percent greater than during the same months of 2002, led mainly by multi-family construction. After this surge, residential construction settled into a healthy pace, averaging a seasonally adjusted annual rate of 192,000 units from March through October. This is 14 percent higher than the 2002 pace.

A significant transition has taken place in regional homebuilding patterns. Throughout the booming 1990s, homebuilding was weak in the San Francisco Bay Area while job creation soared. This combination brought a record-breaking ascent in home prices. The bursting of the dot.com bubble in 2001 slowed Bay Area home building further. Throughout the short re-cession and during 2002, Southern California, and the Riverside-San Bernardino region in particular, dominated the state's home building. During 2003, however, the Bay Area led the pack in new home construction growth. Home building in the major Bay Area metropolitan areas rose nearly 38 percent during the first 10 months of 2003 compared with the same months of 2002. This is a definite turnaround from the 7-percent drop in 2002. During the first 10 months of 2003, home building in Southern California rose 13 percent.

Nonresidential construction is still weak

In contrast to residential construction, commercial construction weakened as 2003 progressed. In October, nonresidential construction continued a seesaw pattern by falling from September, which



had recovered some of August's substantial drop. Nonresidential construction activity, as measured by the value of permits issued, during the first ten months of 2003, was off 3.3 percent from the same months of 2002. Continued reductions in office construction and weaker hotel and motel construction were chiefly responsible for the overall slowdown. Regionally, this slowdown is fairly widespread. Only the Riverside-San Bernardino and Sacramento metropolitan areas improved over last year.

Real Estate

Home sales still going strong

Sales of existing homes firmed up slightly in October, following a drop in September. Home sales reached 636,690 units on a seasonally adjusted-annual rate basis, a 9.9-percent rise from a year ago. During the first 10 months of 2003, the pace of existing home sales was 4.3 percent stronger than the same months of 2002.

Following the trend in home sales, existing home prices also strengthened slightly in October. The median price of existing single-family homes sold in October registered \$381,200, only a slight improvement on September. Despite this sluggishness, the median price for sales during the first 10 months of 2003 rose over 16 percent from the same months of 2002.

■ RECENT EVIDENCE ON CALIFORNIA'S INCOME

The most dramatic feature of California's recent economic downturn was the swift deceleration of personal income growth. Recent developments in personal income growth may not be appreciated since a lack of serious job growth is the most commented-on feature of the current economic recovery. Recent evidence indicates that the outlook for Californians' income growth is improving.

The Importance of the Stock Market

Typically, the economy's employment condition is its most closely watched indicator. Because of its wealth of detail (by industry and region) and its reporting frequency (monthly and weekly) employment statistics can paint a very insightful and current picture of an economy's condition. A less closely watched indicator, though no less important, is the level of income that is being generated.

During the latest recession, the slowdown in income growth in California was more dramatic than employment losses. Personal income growth, after rocketing to a 10.6-percent year-over-year pace in 2000, plummeted to 2.7 percent in 2001 and then slid to 2.2 percent in 2002. Wage and salaries—the dominant component of personal income—actually declined in 2002, the first such retrenchment on record. This wrenching swing from historic acceleration to dramatic deceleration affected California in a variety of ways, including contributing to the current state and local government fiscal challenges. This slowdown was caused to a great extent by a waning stock market.

Much of the extraordinary wage and salary growth achieved in the late 1990s and 2000 resulted from an overheated stock market and the increasing popularity of stock market based forms of compensation. In 2000, stock options and bonuses may have accounted for as much as 12 percent of California wages and salaries, up from about 2 percent in 1995. Of the \$72.6 billion increase in wages and salaries earned in 2000, the Department of Finance estimates that \$28.5 billion, or 39 percent, was attributable to the increase in the value of stock options exercised and bonuses paid. The growth reflected the “bubble” in the technology-heavy NASDAQ index, which more than doubled in value between October 1999 and March 2000. Its collapse was also responsible for the dramatic slowdown in wage growth. Between March 2000 and the end of 2001, the NASDAQ index lost over 57 percent of its value. Correspondingly, estimated stock option and bonus income received by Californians fell by over 43 percent between 2000 and 2001.

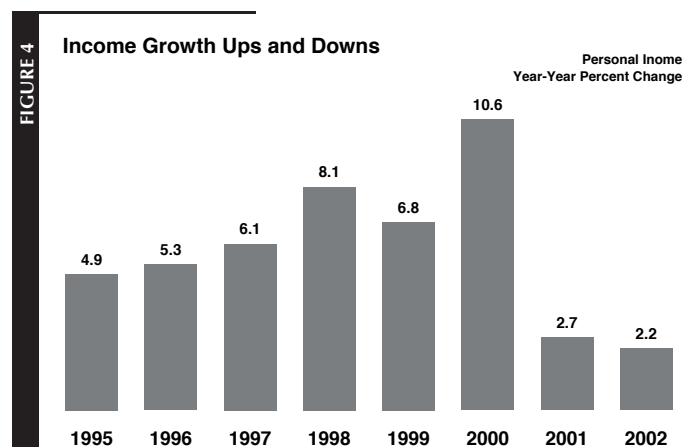


FIGURE 5

Stock Market Income

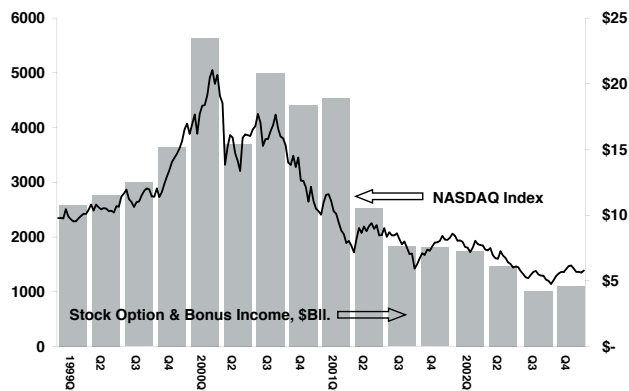


FIGURE 6

Withholding Expands in 2003

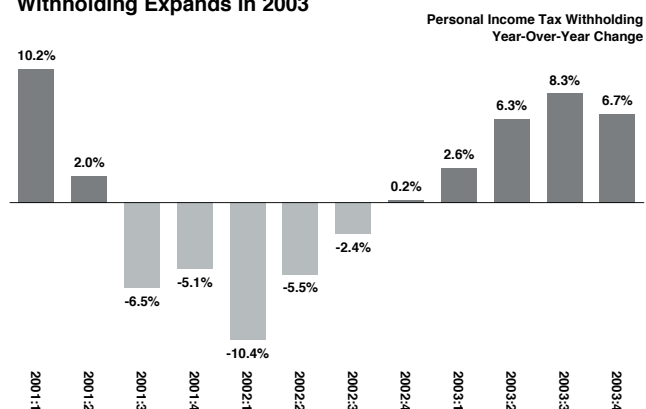
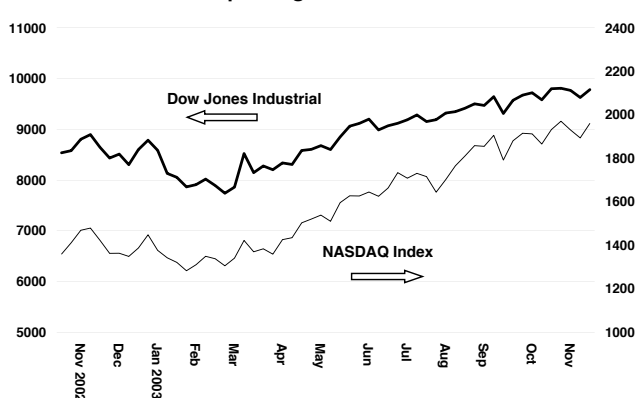


FIGURE 7

Stock Markets are Improving



Withholding Gains

Comprehensive estimates of income earned are typically only available after significant lags of up to several months. However, a good indication of recent earnings comes from income tax withholding rates. Employers are required to withhold and submit to the California Employment Development Department a portion of each employee's earnings according to their anticipated income tax obligation. Since income tax payments are directly correlated to earned income, these withholding deposits must also coincide with actual earnings. The historical track record bears this out, as there is an extremely high correlation between personal income received and income tax withholding.

Personal income tax withholding has been accelerating since late 2002. Withholding began deteriorating in late 2000 following the bursting of the NASDAQ "bubble." It continued to deteriorate through the third quarter of 2002, but has been improving ever since. The year-over-year growth of withholding turned positive in the fourth quarter of 2002. This growth accelerated to 8.3 percent during the third quarter of 2003 compared to the same period a year earlier. This would imply that a substantial improvement in income growth took place in the latter half of 2003.

Although there is some uncertainty about whether or not the state's employment situation has significantly improved, it would be difficult to credit this apparent step up in income to an improving employment picture. California industry employment was down 0.2 percent during the third quarter of 2003 compared to the same quarter of 2002. Civilian employment rose by 1.3 percent over the same period (see Mixed Messages from Employment in the September–October 2003 edition for more information on the discrepancies of these estimates). Neither employment measure adequately explains the improvement in income tax withholding.

Given the lack of job creation during this recovery, some of the strength in wages may be the result of a more intensive use of existing employees. Signs abound that overall economic output is on the rise, yet job creation has not followed suit. This could mean that many firms are getting more out their current employees and paying them accordingly.

A more likely source of rising wages is a return of stock market-related income. From its recent low point at the end of September 2002, the NASDAQ index advanced over 70 percent by the end of November 2002. Over the same period, the Dow Jones Industrial Average gained over 30 percent. These rates of growth are reminiscent of the late 1990s, when stock market-based compensation first began to heat up. While there is little if any chance that that unprecedented escalation in compensation will be repeated, it is very likely that the stock market is again contributing to California's personal income growth.

Select Indicators

Employment

EMPLOYMENT (Seasonally adjusted)

	2003				2002	Yr-Over-Yr % Change
	Dec	Nov	Oct	Sep	Dec	
Civilian employment (000)	16,556	16,517	16,538	16,451	16,292	1.6
Unemployment (000)	1,126	1,156	1,184	1,137	1,206	-6.7
Unemployment rate	6.4	6.5	6.7	6.5	6.9	--
Nonagricultural wage and salary employment (000) a/	14,432.4	14,440.8	14,461.0	14,424.8	14,464.9	-0.2
Goods-producing industries	2,395.6	2,394.0	2,392.5	2,385.1	2,414.7	-0.8
Natural resources and mining	22.4	23.0	23.3	23.2	22.7	-1.3
Construction	799.9	796.8	792.8	786.0	784.1	2.0
Manufacturing	1,573.3	1,574.2	1,576.4	1,575.9	1,607.3	-2.1
Service-providing industries	12,036.8	12,046.8	12,068.5	12,039.7	12,050.8	-0.1
Trade, transportation, and utilities	2,725.4	2,738.7	2,753.8	2,730.6	2,717.9	0.3
Information	473.6	469.1	464.9	465.9	477.9	-0.9
Financial activities	866.2	865.1	865.0	865.2	859.8	0.7
Professional and business services	2,116.1	2,115.9	2,120.9	2,108.5	2,135.4	-0.9
Educational and health services	1,540.4	1,537.9	1,536.5	1,530.7	1,513.7	1.8
Leisure and hospitality	1,405.7	1,408.0	1,408.7	1,409.9	1,382.9	1.6
Other services	498.8	501.5	501.6	501.4	502.9	-0.8
Government	2,410.6	2,410.6	2,417.1	2,427.5	2,460.3	-2.0

Hours & Earnings

HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

Average weekly hours	40.2	40.5	39.8	39.8	40.4	-0.5
Average weekly earnings	\$614.66	\$613.98	\$599.39	\$599.79	\$610.85	0.6
Average hourly earnings	\$15.29	\$15.16	\$15.06	\$15.07	\$15.12	1.1

Consumer Prices

CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)

All Urban Consumers Series						
California Average	190.1	n.a.	191.0	n.a.	187.2	1.5
San Francisco CMSA	195.3	n.a.	196.3	n.a.	193.2	1.1
Los Angeles CMSA	187.0	187.1	187.8	188.2	183.7	1.8
Urban Wage Earners and Clerical Workers Series						
California Average	183.3	n.a.	184.2	n.a.	180.4	1.6
San Francisco CMSA	191.1	n.a.	191.9	n.a.	189.6	0.8
Los Angeles CMSA	180.2	180.5	181.2	181.9	176.7	2.0

Construction

CONSTRUCTION

	2003				2002	Yr-Over-Yr % Change
	Oct	Sep	Aug	Jul	Oct	
Private residential housing units authorized (000) b/	207	192	174	196	214	-3.3
Single units	144	152	129	134	149	-3.4
Multiple units	62	40	45	63	65	-4.6
Residential building authorized valuation (millions) c/	43,578	40,611	36,043	38,210	42,235	3.2
Nonresidential building authorized valuation (millions) c/	13,172	14,420	12,749	16,252	14,554	-9.5
Nonresidential building authorized valuation (millions) d/	1,178	1,253	1,190	1,276	1,303	-9.6
Commercial	317	357	326	390	376	-15.6
Industrial	122	129	114	102	156	-22.2
Other	237	299	272	275	271	-12.6
Alterations and additions	502	468	479	508	499	0.6

Auto Sales

AUTO SALES (Seasonally adjusted)

New auto registrations (number)	n.a.	143,267	122,681	134,294	147,045	--
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a/ The wage and salary employment information is now based on the new North American Industry Classification System (NAICS)

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

Select Indicators

Continued

VACANCY RATES FOR THIRD QUARTER 2003 (Percent)

	Office			Industrial
	<u>Downtown</u>	<u>Suburban</u>	<u>Total</u>	
Northern and Central California:				
Oakland	15.6	16.8	16.6	--
Sacramento	11.9	12.5	12.3	15.3
San Francisco	18.7	27.7	21.5	13.4
San Jose	18.7	22.4	21.6	--
Southern California:				
Los Angeles Metro	18.7	14.3	15.0	8.8
Orange County	--	14.4	14.4	--
San Diego	10.6	12.1	11.8	9.7
Ventura County	--	8.8	8.8	--
National Average	14.5	18.2	16.8	11.7

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

2002				2003			
Jan	\$287,080	Jul	321,900	Jan	\$336,740	Jul	383,320
Feb	294,870	Aug	332,970	Feb	327,120	Aug	400,020
Mar	305,840	Sep	322,450	Mar	352,780	Sep	385,880
Apr	317,120	Oct	324,670	Apr	363,930	Oct	381,200
May	319,590	Nov	327,500	May	369,450		
Jun	324,640	Dec	339,570	Jun	376,260		

Leading Indicators/^A

		Manufacturing Overtime Hours	Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1999	Jan	4.7	42.4	51,796	4,901	138.3
	Feb	4.7	42.0	53,199	5,119	133.9
	Mar	4.7	42.0	53,206	6,041	138.1
	Apr	4.7	42.0	52,538	5,097	133.2
	May	4.8	42.0	50,431	5,221	132.6
	Jun	4.7	41.9	51,566	5,575	158.9
	Jul	4.6	41.8	51,040	5,358	147.0
	Aug	4.5	41.5	51,062	5,798	133.2
	Sep	4.5	41.0	50,237	5,876	138.8
	Oct	4.7	41.6	49,132	5,555	131.9
	Nov	4.8	41.5	52,076	5,864	141.2
	Dec	4.9	41.5	44,959	6,654	150.3
2000	Jan	5.0	41.8	50,055	6,476	153.9
	Feb	4.9	41.4	50,359	6,939	151.3
	Mar	4.8	41.4	47,573	8,390	157.6
	Apr	5.2	42.0	44,590	7,564	125.2
	May	5.0	41.6	47,976	6,542	137.7
	Jun	5.0	41.6	49,394	7,339	180.7
	Jul	5.2	41.8	48,033	7,327	132.5
	Aug	4.9	41.7	47,830	7,026	150.9
	Sep	5.0	41.6	47,485	7,205	143.4
	Oct	5.1	41.7	48,851	7,097	136.1
	Nov	4.8	41.6	49,192	7,326	160.3
	Dec	4.8	41.5	52,526	6,457	157.0
2001	Jan	4.1	39.9	47,065	7,474	194.6
	Feb	4.2	40.2	51,343	6,465	138.4
	Mar	4.0	39.9	53,726	6,562	146.5
	Apr	3.5	39.5	53,017	6,217	152.7
	May	3.8	39.7	56,205	6,714	152.8
	Jun	3.8	39.3	55,053	6,429	149.0
	Jul	3.8	39.5	55,764	6,494	129.5
	Aug	3.9	39.6	57,542	7,309	158.4
	Sep	3.9	39.5	59,829	6,149	114.3
	Oct	3.7	39.3	64,090	6,933	145.1
	Nov	3.6	39.0	57,914	7,216	141.3
	Dec	3.7	39.3	47,557	6,922	162.8
2002	Jan	3.8	39.0	66,867	7,175	150.8
	Feb	4.0	39.5	55,653	6,932	166.2
	Mar	4.1	40.0	60,564	7,369	147.1
	Apr	4.1	40.0	64,132	7,305	162.4
	May	4.1	39.7	60,539	8,520	156.2
	Jun	4.1	39.9	59,679	7,012	150.1
	Jul	4.0	39.3	63,104	7,174	179.7
	Aug	4.0	39.8	61,589	7,645	164.0
	Sep	3.9	39.8	61,305	7,726	182.8
	Oct	3.7	39.5	63,105	7,929	214.3
	Nov	3.9	39.6	58,190	7,370	188.6
	Dec	3.9	39.7	58,106	7,778	152.3
2003	Jan	3.9	39.7	60,938	7,275	192.4
	Feb	4.1	39.9	58,324	8,809	261.2
	Mar	3.7	39.8	58,847	7,228	188.5
	Apr	3.7	39.8	65,902	7,840	188.0
	May	3.8	39.9	60,158	7,772	210.2
	Jun	3.7	39.9	61,883	7,939	176.9
	Jul	3.9	39.5	61,862	7,913	196.3
	Aug	3.8	39.5	58,148	7,108	174.0
	Sep	3.9	39.4	58,124	8,865	192.4
	Oct	3.8	39.5	60,267	7,802	206.8
	Nov	4.0	40.1	n.a.	7,275	n.a.
	Dec	4.1	39.5	n.a.	n.a.	n.a.

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

Coincident Indicators/^A

Employment,
Unemployment

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1999	Jan	13,749	1,831	5.6	356
	Feb	13,782	1,829	5.6	367
	Mar	13,811	1,826	5.5	375
	Apr	13,861	1,828	5.4	364
	May	13,893	1,824	5.3	373
	Jun	13,910	1,823	5.2	375
	Jul	14,009	1,827	5.1	348
	Aug	14,014	1,825	5.0	352
	Sep	14,054	1,834	5.0	364
	Oct	14,115	1,839	4.9	340
	Nov	14,148	1,837	4.9	344
	Dec	14,201	1,837	5.0	347
2000	Jan	14,201	1,842	5.0	359
	Feb	14,258	1,842	5.0	347
	Mar	14,308	1,843	5.0	355
	Apr	14,338	1,846	5.0	337
	May	14,416	1,846	5.1	326
	Jun	14,458	1,856	5.1	331
	Jul	14,484	1,865	5.0	331
	Aug	14,529	1,865	5.0	334
	Sep	14,578	1,865	4.9	313
	Oct	14,580	1,868	4.8	326
	Nov	14,635	1,874	4.8	344
	Dec	14,678	1,879	4.7	324
2001	Jan	14,717	1,874	4.7	354
	Feb	14,719	1,865	4.7	356
	Mar	14,725	1,855	4.8	364
	Apr	14,662	1,831	4.9	386
	May	14,647	1,814	5.1	413
	Jun	14,635	1,798	5.2	421
	Jul	14,569	1,776	5.3	445
	Aug	14,582	1,762	5.6	471
	Sep	14,525	1,741	5.7	478
	Oct	14,518	1,725	6.0	524
	Nov	14,485	1,704	6.2	512
	Dec	14,458	1,688	6.2	520
2002	Jan	14,435	1,674	6.4	511
	Feb	14,444	1,665	6.5	538
	Mar	14,465	1,661	6.6	527
	Apr	14,486	1,661	6.6	541
	May	14,514	1,658	6.6	553
	Jun	14,504	1,651	6.7	542
	Jul	14,455	1,639	6.7	549
	Aug	14,479	1,630	6.7	530
	Sep	14,470	1,623	6.7	541
	Oct	14,493	1,619	6.8	541
	Nov	14,502	1,611	6.8	509
	Dec	14,465	1,607	6.9	517
2003	Jan	14,493	1,600	6.6	509
	Feb	14,478	1,598	6.7	514
	Mar	14,475	1,597	6.7	511
	Apr	14,461	1,592	6.8	571
	May	14,447	1,590	6.7	540
	Jun	14,454	1,585	6.8	552
	Jul	14,444	1,577	6.7	555
	Aug	14,436	1,573	6.7	535
	Sep	14,425	1,576	6.5	539
	Oct	14,461	1,576	6.7	520
	Nov	14,441	1,574	6.5	n.a.
	Dec	14,432	1,573	6.4	n.a.

Income, Wages,
Taxable Sales

		Personal Income (\$ millions)	Total Wages & Salaries (\$ millions)	Taxable Sales (\$ millions)
2000	Qtr I	1,073,810	625,352	107,393
	Qtr II	1,088,418	629,086	109,940
	Qtr III	1,121,937	653,939	111,702
	Qtr IV	1,118,553	645,688	112,045
2001	Qtr I	1,147,945	663,059	111,989
	Qtr II	1,134,569	651,966	111,275
	Qtr III	1,121,148	638,918	108,517
	Qtr IV	1,115,811	634,199	109,442
2002	Qtr I	1,138,871	638,577	108,528
	Qtr II	1,153,961	642,158	109,986
	Qtr III	1,160,405	643,080	111,384
	Qtr IV	1,167,754	648,558	107,572
2003	Qtr I	1,178,509	655,276	109,378
	Qtr II	n.a.	n.a.	111,712

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.
n.a. Not available

Other Indicators

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1992-93	22,952	20.1	2002		2003	
1982-83	26,387	22.2	1993-94	22,573	20.5	Jan	24,205	Jan	25,997
1983-84	28,520	23.0	1994-95	18,277	16.8	Feb	24,197	Feb	24,781
1984-85	29,115	20.8	1995-96	18,230	16.7	Mar	26,263	Mar	28,573
1985-86	27,738	20.4	1996-97	18,477	17.3	Apr	27,081	Apr	28,309
1986-87	24,515	18.4	1997-98	17,401	15.9	May	27,382	May	27,627
1987-88	23,458	18.7	1998-99	17,372	15.1	Jun	28,972	Jun	29,517
1988-89	23,125	19.3	1999-00	18,100	14.7	Jul	28,333	Jul	30,348
1989-90	22,312	18.4	2000-01	19,939	14.7	Aug	29,634	Aug	29,472
1990-91	24,265	19.5	2001-02	23,816	15.0	Sep	28,764	Sep	30,028
1991-92	23,843	21.2				Oct	27,547	Oct	33,362
						Nov	29,567		
						Dec	27,857		

a/ U.S. fiscal year: October through September

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

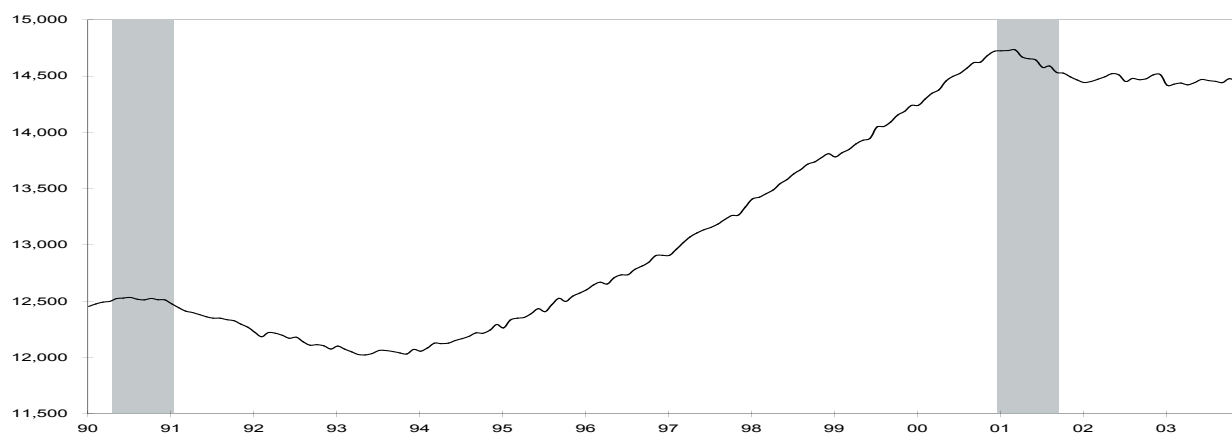
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

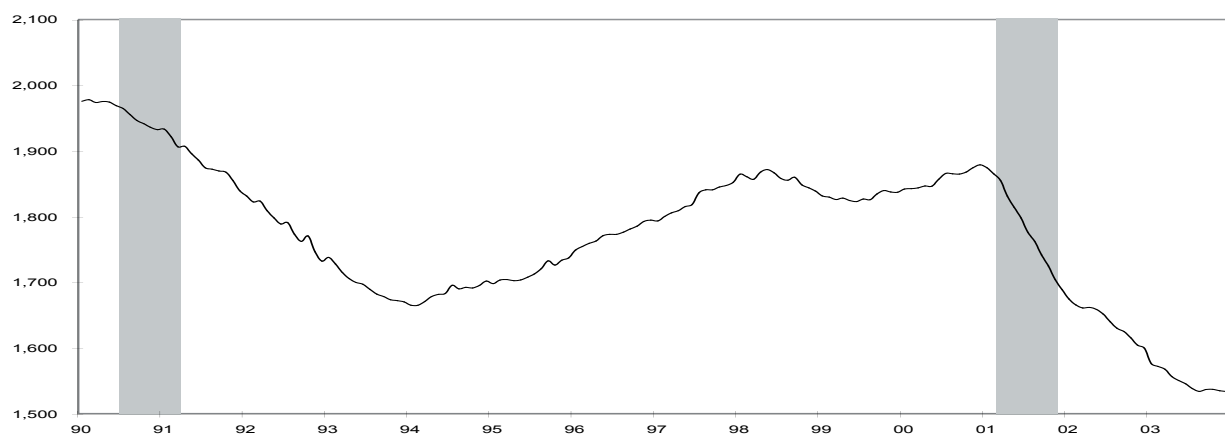
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

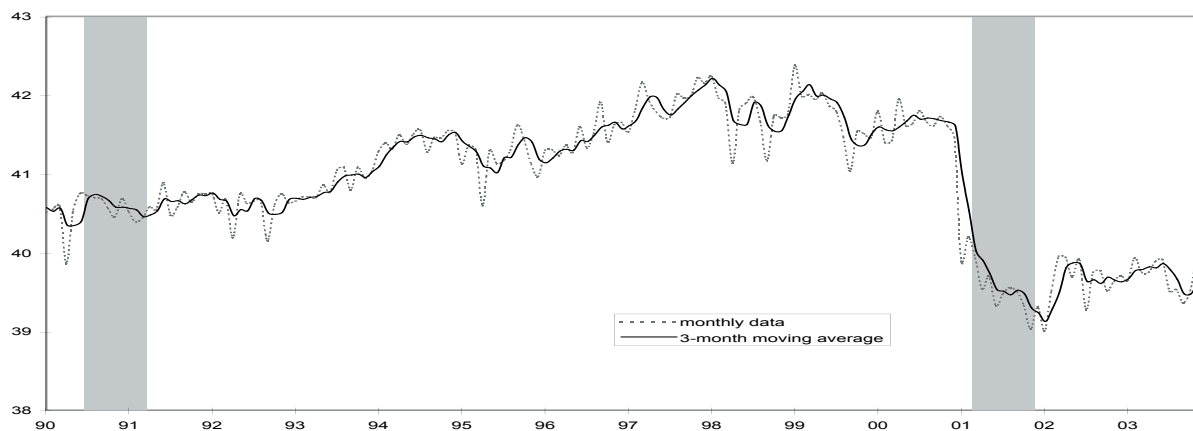
Nonagricultural Employment
(thousands, Seasonally Adjusted)



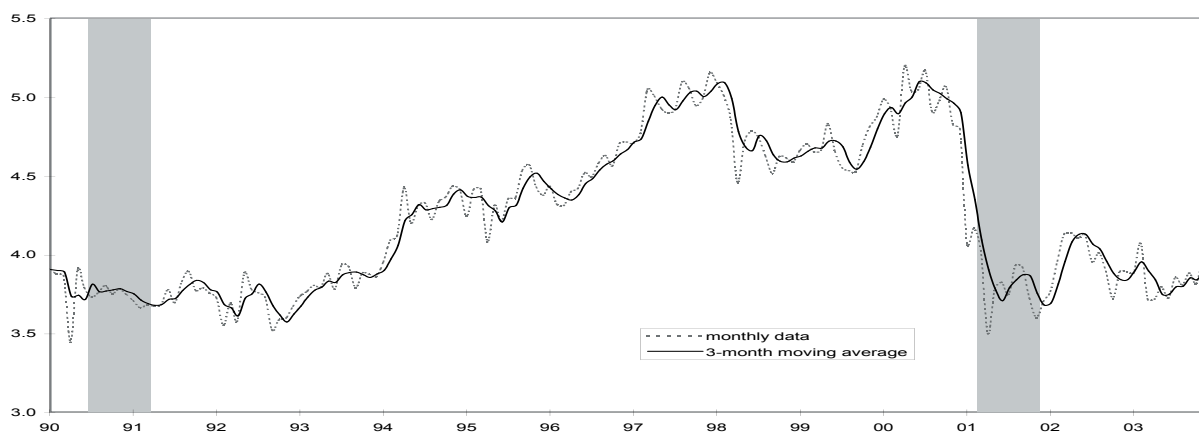
**Manufacturing
Employment**
(thousands,
Seasonally Adjusted)



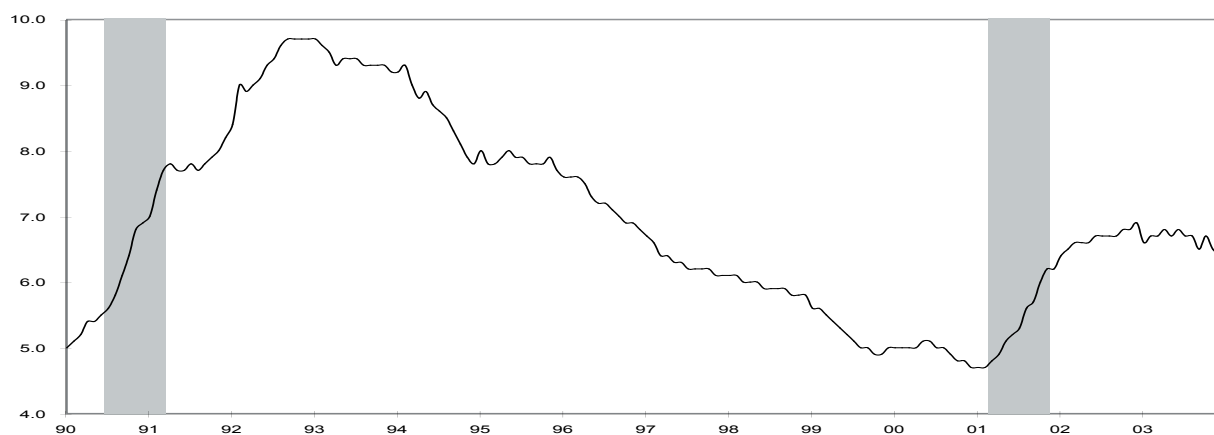
**Average
Weekly Hours,
Manufacturing**
(Seasonally Adjusted)



**Average
Overtime Hours,
Manufacturing**
(Seasonally Adjusted)

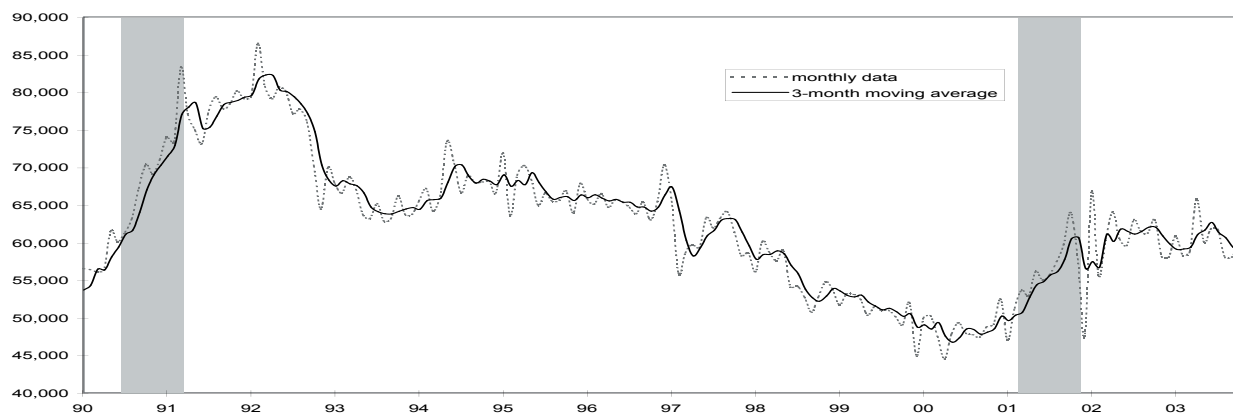


**Unemployment
Rate**
(Percent)



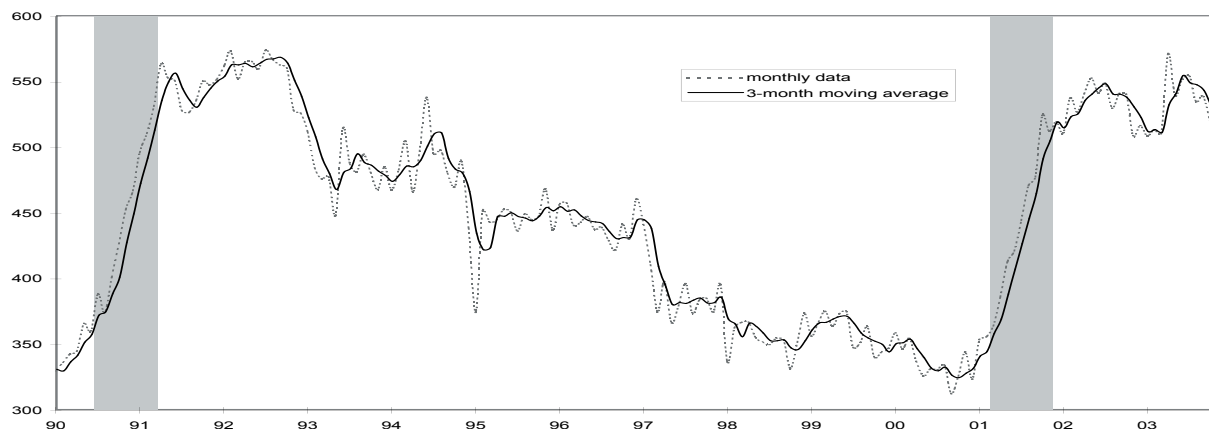
Initial & Transitional Claims for Unemployment Insurance

(Weekly Average, Seasonally Adjusted)



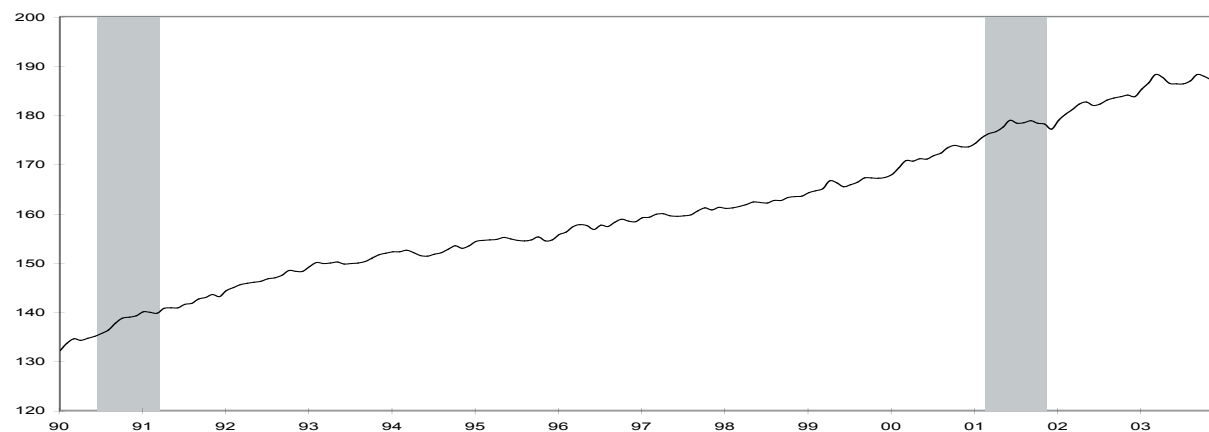
Unemployment, Average Weeks Claimed

(thousands, Seasonally Adjusted)



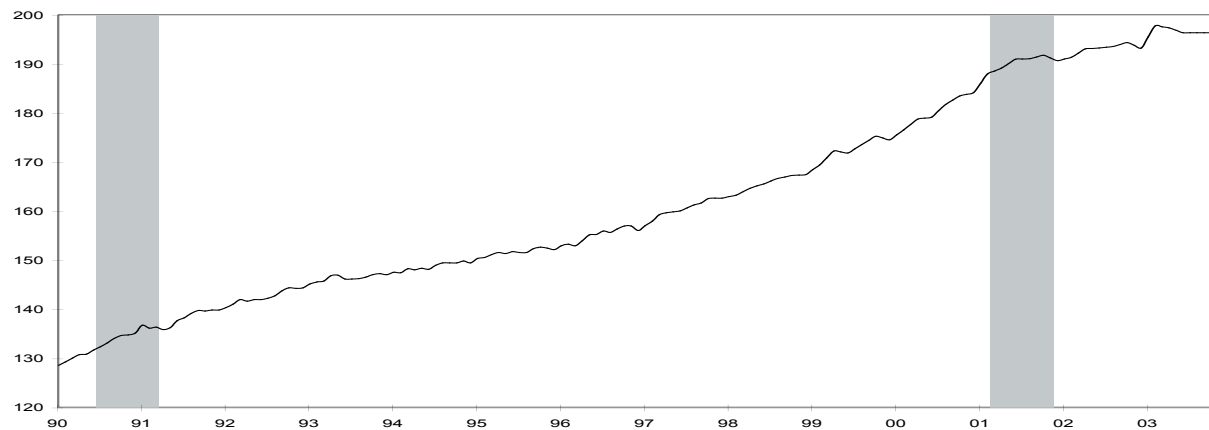
Consumer Price Index, Los Angeles

(1982-84=100)



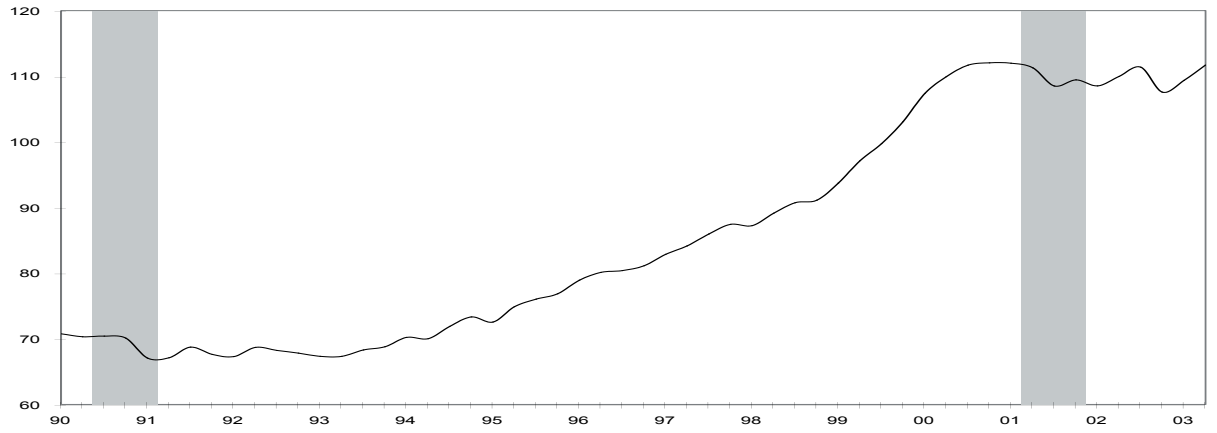
Consumer Price Index, San Francisco

(1982-84=100)



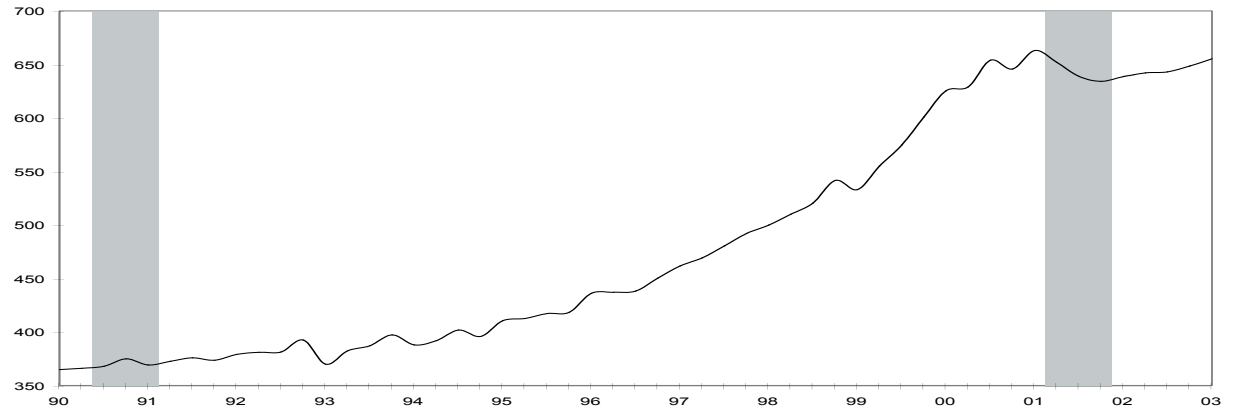
Taxable Sales

(Dollars in billions,
Seasonally Adjusted)



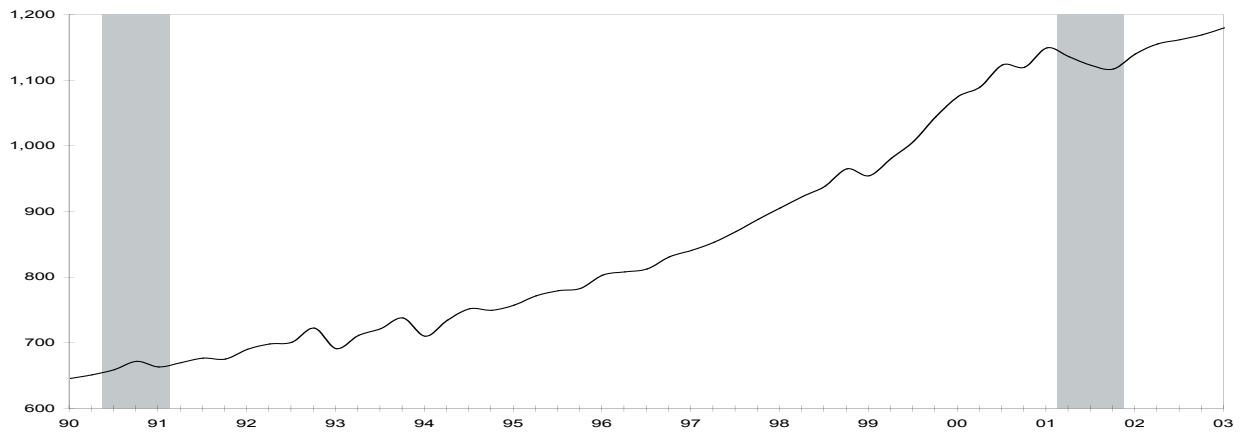
Wages and Salaries

(Dollars in billions,
Seasonally Adjusted)



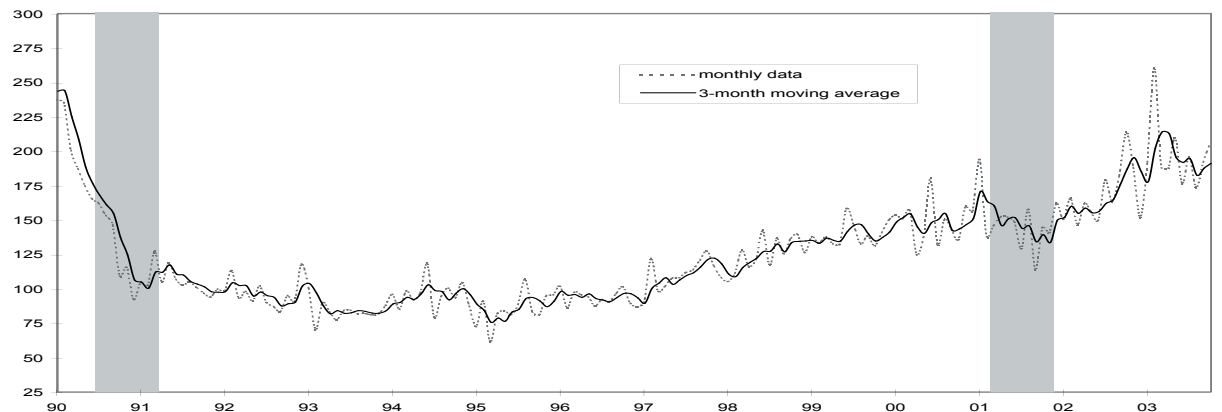
Personal Income

(Dollars in billions,
Seasonally Adjusted)



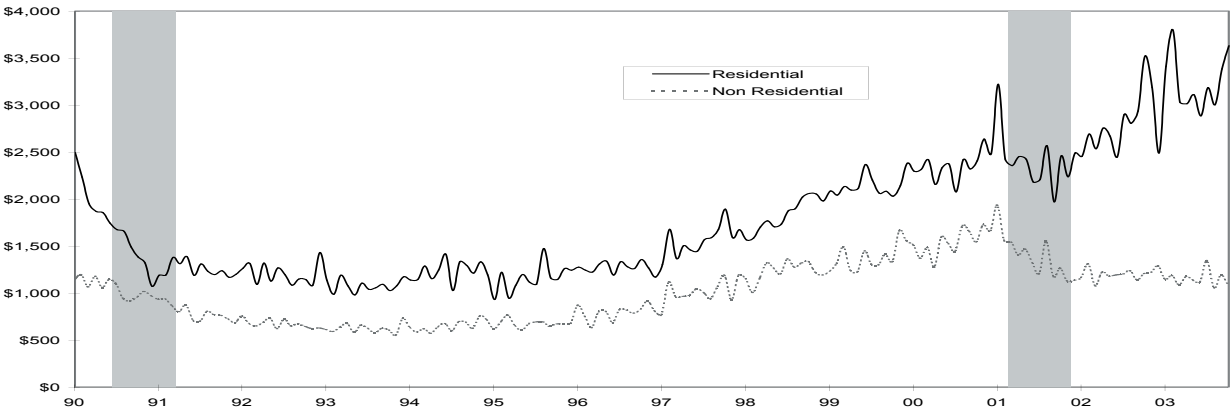
New Housing Units Authorized By Building Permits

(thousands, Seasonally
Adjusted at Annual Rate)



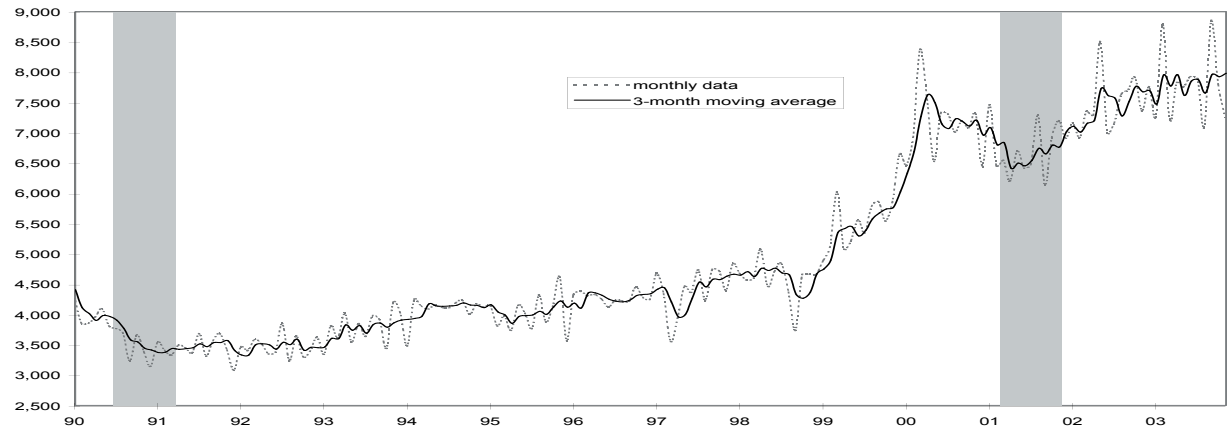
Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



■ BUSINESS CYCLES

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-2001

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128

■ CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2003

February 10	Moody's lowered California's bond rating to A2 from A1.
February 14–17	A major snowstorm hit the Middle Atlantic and Eastern states.
February 26	Doctors in Hong Kong report the first case of a flu-type virus "Atypical Pneumonia" now more commonly known as Severe Acute Respiratory Syndrome (SARS).
March 20	Operation Iraqi Freedom begins.
April 9	Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein.
April 14	President Bush declares conclusion of major combat operations in Iraq.
June 25	Federal funds rate reduced from 1.25 percent to 1 percent, the lowest rate in 45 years.
June 26	GDP up 1.4 percent in Q1.
July 17	The US recession ended in November 2001, according to NBER.
July 24	S&P lowered California's bond rating from "A" to "BBB".
July 25	United States Treasury begins mailing \$400 per child tax rebate checks.
August 2	Governor Gray Davis signs the 2003-04 state budget bill.
August 4	Moody's lowered California's bond rating from A2 to A3.
August 28	GDP grew at a revised 3.1 percent annual rate in the 2nd quarter.
September 3	Light vehicle sales in the U.S. reach 19.0 million in August, the second best monthly rate ever.
October 21	Wildfires breakout in Southern California, eventually burning 743,000 acres and destroying over 3,500 homes.
October 30	GDP grew by 7.2 percent, its fastest rate since 1984.
December 12	Dow Jones Industrial average closed above 10,000 for the first time since May 24, 2002.
December 13	Saddam Hussein captured by American troops.
December 23	Final report shows GDP grew by 8.2 percent in the third quarter, its fastest rate since 1984.

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